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# AMAZON: CUSTOMER FIRST APPROACHES



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The objective of this thesis is to know how Amazon has become what it is today, how it manages customer satisfaction and how it maintains itself in the marketplace in the face of competition. I'm fascinated by the ability this company has to succeed. All strategies and the path followed until its success. In order to fulfill the purpose of this thesis, the reasons that explain consumers favour this merchant over its competitors in online shopping is identified, to determine factors make Amazon different than its competitors and to find the key factors Amazon uses to get their customers back. The objective of the quantitative and qualitative research was to evaluate what Amazon's customers think about this merchant and how they are reached and retained. As a result, the majority of the interviewees are very satisfied by Amazon and ensure that they are loyal because to the various services put in place such as customer service, product choices or even speed of delivery. In addition, many are encouraged to return to Amazon thanks to small attentions such as newsletters featuring personally recommended products for each customer.

Amazon's mission is to showcase technology and employee expertise to deliver the best customer experience on the web. Moreover, through this mission, the e-commerce aims to offer an impressive range of products on a global scale. The company has implemented technologies adapted to its needs by investing in research and development to ensure a quality customer interface and interactive website. We can say that Amazon will maintain its leadership position as long as it continues to invest continuously in research and development to have a quality customer interface, which results in the number of customers continues to grow.

### KEYWORDS:

Amazon, web merchant, e-commerce, success, customers, loyalty, strategies

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# 1 INTRODUCTION

## 1.1 Background

It was on May 15, 1997 that the company Amazon, created by Jeff Bezos in 1994, integrated the markets. An online bookseller, employing 250 people in Seattle, that was already thinking big by presenting itself as the largest bookshop in the world with a catalogue of 2.5 million books, a few CDs, DVDs and audio cassettes (Capital, 2018). Jeff Bezos wanted his company name to start with an A to appear early in alphabetical order. He began to look in a dictionary and stopped on Amazon, referring to the world's largest river, destiny he wished for his company. Since 2000, Amazon's logo has featured an arrow from A to Z, drawing a smile that symbolizes customer satisfaction (Secouchermoinsbete, 2010). Amazon's initial business plan was not common, the company did not expect to make a profit for four or five years. Its "slow" growth angered shareholders who complain that the company is not fast enough profitable (Carmody, 2013).

When the Internet bubble burst and many Internet companies went bankrupt, Amazon held and finally made its first profits in the last quarter of 2001: \$5 million, or 1 cent per share, on a turnover of over 2 billion. The profit, although modest, was used to prove that the business model could be profitable (Argentaire, 2016). In 1999, Time magazine named Bezos as the Personality of the Year, mentioning that his company helped to popularize E-commerce (Time, 1999).

In 2017, two decades after its creation, Amazon has not only survived but has become part of the daily lives of millions of consumers around the world, offering them a wide choice of products such as CDs, downloadable music, DVDs, digital cameras, computers, home equipment, clothing, Cloud technologies (Amazon, 2018). Amazon now brings to its consumers everything that can be bought with almost 200 million references, 136 billion dollars in sales, 341,000 employees and 2.4 billion in net profit (Statista, 2018). Amazon is part with Apple, Google and Facebook of GAFA: the giants of the Internet.

In 2015, other distributors had to adapt to maintain competition. Amazon has changed the consumer market and the consumer himself assures Mr. Waintrop (Waintrop, 2016). One of Amazon's principles is to have prices defying all competition (Amazon,

2018). Indeed, today you do not go any more in store without having compared the prices on Amazon or on Internet. The consumer needs to be sure that he will buy the cheapest product. During the day, product prices change on the website of the giant American according to demand, that forces stores to align their prices (Reboulleau, 2013).

Amazon's other advantage is to be the fastest. Before, French people ordered on the Internet to deliver heavy items like sofas, but since the birth of Amazon and major distributors, consumers have taken different habits. They now order a book for 3.50 euros and on Amazon delivery is mostly free (Le monde, 2017). In addition, Amazon Premium offers extremely fast delivery, 1 business day (amazon.com, 2018). To be more efficient, the e-commerce tried to deliver by private individuals, to which Fnac, according to Le Figaro, immediately responded by offering home deliveries within 3 hours to its customers during the Christmas periods (André, 2015).

Since then, department store networks such as Fnac have tried to manage this concept and many have recorded deliveries every day. While small structures offer new ideas (Fnac, 2018). In addition, Amazon knows how to target customer expectations. With the implementation of data tracking, new products are constantly offered to customers. There was already the loyalty card in physical stores, there the big distributors are able to present with each purchase of new products because they track the customer path. We find this system on other distributors like PriceMinister, E-leclerc, or Ebay (Internet sans crainte, 2018).

I became familiar with Amazon a few years ago when I was looking for a product. Amazon was the only store to sell in France, which suited me because I did not wish to wait more than 2 weeks when ordering from a Chinese website. I was very surprised by the selling price of the product, which was lower than if I bought it from the brand's original website. Since this discovery, most of the online purchases I make is done through Amazon. Even since I'm in Finland I have made purchases on Amazon because I needed products when I arrived. Indeed I had looked for the products on Finnish websites, but the language barrier prevented me from finding what I wished, then I made my task easier by ordering from Amazon, a website I trust, with a very fast delivery.

I have always had a very positive experience with this merchant. Even when there is a problem, I have never experienced such customer-friendly service. I'm fascinated by the ability this company has to succeed. All strategies bet in addition and the path followed until its success. I'd like to see how far Amazon can go, this company that spends

countless dollars to increase its market share, please its customers, enjoy the buzz and annoy competitors and analysts.

## 1.2 Research Question and objectives

Since its inception, Amazon has surprised everyone with its current situation, putting its competitors far behind its progress in the market. The objective of this thesis is to know how Amazon has become what it is today, how it manages customer satisfaction and how it maintains itself in the marketplace in the face of competition.

In order to fulfill the purpose of this thesis, we must answer these research questions:

RQ1 What are the reasons that explain consumers favour this merchant over its competitors in online shopping?

RQ2 Based on first question, what factors make Amazon different than its competitors?

RQ3 What are the key factors Amazon uses to get their customers back?

## 2 LITTERATURE REVIEW

The aim of this company is to be focused on customer satisfaction. As Bezos said “I would define Amazon by our big ideas, which are customer centricity, putting the customer at the center of everything we do.” (Tschohl, 2013).

### 2.1 Satisfaction

Regarding Marketing Management, satisfaction is the positive or negative impression a customer has about a buying or consuming experience. It results from a comparison between his expectations of the product and his perceived performance (Kotler, Keller and Manceau, 2012, 152). It can be considered either as an emotion, as a cognitive appreciation or as a mix of the both.

According to Ray, “customer satisfaction is an indispensable condition, loyalty generates profit and without satisfaction there is no profit. But it is not enough to satisfy someone to buy, a competitor can be more attractive” (Ray, 2001, 201). For Walters, loyalty is the propensity of a consumer to buy the same product (brand) or to frequent the same store whenever he needs it, in this case Amazon. (Glenn Walters, 1989, 104). Throughout this study we will see the implementation of Amazon to focus on customer satisfaction, and thus build loyalty.

### 2.2 Amazon Resources and Skills Management

Managing resources and skills is a competitive advantage for the company. Resources can be tangible financial availability, industrial tools or intangible i.e. reputation, know-how. Skills consist of implementing and combining resources. A fundamental skill is a set of knowledge and know-how that allows the company to offer a product that will be a source of benefits for the customer. It is therefore essential to clarify the strategic nature of resources and skills in order to identify those that will underpin competitive advantage (Surfeco, 2018). About Amazon, its warehouses location, its way to manage its employees, to control its skills to preserve its know-how, to be innovative and creative and even its way to invest are integral parts of its strategy (Dave, 2018).



### 2.2.1 Materiel resources

To understand how Amazon manages its resources, it is first necessary to distinguish the different types of resources found in companies: material resources and immaterial resources. Material resources include physical resources, such as buildings, production tools or stocks, and financial resources include debt capacity, self-financing, etc. (Surfeco, 2018).

Amazon's premises are known for being very simple. A good working environment is not the priority, however It wants to reduce costs as much as possible, as can be seen in the guided tour in Amazon which is broadcast by RMC (rmc.bfmtv, 2017). According to testimonials from Amazon employees, new employees are provided with an adapter, laptop and instruction booklets upon arrival, that they have to return if they leave the company (Glassdoor, 2018).

### 2.2.2 Good organization of work

One of Amazon's main objectives is speed, to be sent orders quickly, the company permanently manages nearly 107 million references (Rosenthal, 2016). It has an enormous stock, and therefore a very large quantity of capital assets. In addition, Amazon uses machines to manage its logistics, but most of the work is done by employees. For example, workers do the picking themselves on foot using a sophisticated barcode reader that shows them the shortest path to pick up the items corresponding to an order. Indeed, in simulating this storage system, Amazon found that employing people would be more attractive than investing in machines. (Duvauchelle, 2012)

### 2.2.3 Financial Outlook

At the end of 2017, Amazon generated \$149 billion in annual revenue and the company was valued at \$724.2 billion (Les echos, 2018). The way to manage revenues is one of Amazon's key success factors. It doesn't make huge margins, it earns differently on its sale. By having a huge range of products in stock, it renews its inventory periodically (approximately every 20 days) and especially pays its suppliers much later (about 45

days after delivery), allowing it to have an amount of money for a period that can grow and generate interest. Amazon earns much more than focusing on margins: it increases its capital by making its money grow and increases its customer satisfaction by delivering quickly, a doubly beneficial strategy (Evans, 2014).

Working capital requirement is a strategic indicator for the company: more negative it is, greater is the company's financing capacity. Here we see that Amazon has a largely negative working capital requirement of -173 million dollars at the end of 2017 which is a sign of excellent financial health and high profitability (Investing, 2018). It therefore has a good debt capacity.

Every year Amazon invests and acquires new markets such as Whole Foods in 2017, an organic food distribution company (Halzack, 2018). The company is winning in the way it manages its money and in its investment choices, a strategy that has enabled it to be the world leader in E-commerce today, in 2018. Thus, Amazon minimizes its fixed costs, considers the development of its infrastructures and especially controls expenses. Its total expenses (direct and indirect) are carefully calculated. Jeff Bezos is known for being particularly attentive to internal expenses. This analysis has shown that the online retail giant has a real policy of managing material and financial resources: it wishes to invest only to bring added value to the end consumer. For this, his way of managing his money, allowing him to ensure positive growth while not making any margin on his products is one of the main keys to his success (Bowman, 2017).

#### 2.2.4 Immaterial resources

We distinguish in immaterial resources, technological resources, which refer to the know-how of the company and in particular to patents filed, commercial resources (reputation, communication, etc.), human resources (dynamism, information exchange, etc.) and organizational resources, such as information systems (Olivier, 2010).

By investing, Amazon is often a forerunner in its field. For example, the company was the first to implement the one-click ordering, a real competitive advantage. It patented its ordering system and generated profits by offering this functionality to other E-commerce players via an operating license, a functionality that has now expired (Business Insider, 2017). Thus, it invests in products or services based on information technology.

Moreover, the company has built a solid image as the most reliable player in E-commerce, considered as a reference in the field. In addition, in France, it was the favourite brand of French people until the end of 2017 thanks to its speed of delivery and its after-sales service that are recognized worldwide (Chisato, 2018).

#### 2.2.5 Dealing with customer complains

Amazon has a special relationship with its customers. For example, all complaint mails are handled internally, without exception. Moreover, Jeff Bezos' email address is openly known by everyone, each explanation request sent is immediately transferred to one of the employees, required to give him an explanation as soon as possible (Kantor and Streitfeld, 2015). All this process have the aim to generate the idea that is: the customer is king and everything must be done to please him. Through a highly personalized customer experience and an availability to meet its requirements, Amazon excels in customer satisfaction. This point fit with Ray's theory, when he says that customer satisfaction is essential to get profit because it generates loyalty from clients.

### 2.3 The technology

As far as its organizational resources are concerned, information systems are strategic tools in the company. All companies set up an information system to ensure responsiveness and monitoring its activities against the competition. It is one of the first companies to have set up information systems and a powerful database management system enabling it to collect, process, store and disseminate information: the datamining (Thabit, 2015, 867).

As we have seen, Amazon's core competitive strategy is to get privileged relationships with its customers. To do this, Amazon uses all the data it can collect on the consumer's profile but also on his browsing history (Bastien, 2017). Thus, it ingeniously offers a new marketing approach to its client: it proposes items that may interest him and then can maximize his purchase probabilities. Using information systems allows Amazon to develop strong links with its customers and maintain their loyalty. In addition, Amazon offers Cloud services by offering many Business to Business services. Amazon Web Services is also a good example (Amazon, 2018).

Today, Amazon does everything in its power to satisfy its customers and ensure an excellent reputation both for these services and for its privileged customer relationship. To cultivate its image as a pioneering in E-commerce domain, it does not hesitate to invest on all fronts, to develop new applications and services and to offer a unique experience tailored to its customers

## 2.4 Supplier management

Amazon wants to keep as few products in stock as possible. Thanks to good supplier management, Amazon does not need to invest to maintain sufficient inventory to meet demand and leaves this opportunity cost to its suppliers. The merchant is then able to offer customers low-cost products, promotional offers and tailored services (Ell, 2018).

As previously mentioned, Amazon manages 6 warehouses in France. There are 80 storage and replenishment warehouses worldwide (Prudhomme, 2017). In these warehouses the activities of supply, storage, order preparation and dispatch take place. All these activities are managed by men. For example, in France, in Boves and Brétigny, over the year 2017, Amazon will have created 1,500 jobs for a total of 5,500 permanent jobs (Philippe, 2017).

The company has a huge stock, to have a maximum of products in stock and minimize delivery time. For example, to meet its goal of having as many products as possible in stock, several dozen trucks come every morning to deliver thousands of products to the docks (Team45, 2018). According to the testimony of a former Amazon employee, the goods do not stay more than half a day before being put on the shelf in the warehouse. The people in charge of this activity are called "stower" (Libération, 2013). Before storage, the products are referenced.

For SEO Amazon has its own product identification code. It is the Amazon Standard Identification Number which allows each product to have a unique number allowing to find it easily, to facilitate the inventory but also to build the URL of the descriptive sheets of the products. In addition, this is essential to perform a quick product search from this number (Feedvisor, 2018).

## 2.5 Distributor management

Amazon has also expanded its distribution activities, the majority of the software it has developed concerns warehouse development tools. Thus, the merchant website is able to optimize the distribution of its products according to the delivery address. Finally, Amazon is expanding its distribution network by adding new warehouses, for example in France in 2017, to the 80 already existing (Philippe, 2017). The website is then able to limit distribution times in each of the countries where it is present, offering a better service to its customers. By replacing vendors with algorithms and mass merchants with online platforms, Amazon was able to differentiate itself through its attractive pricing policy (Berthelot, 2017).

If this pricing strategy makes consumers happy, it poses a real problem for its competitors. Amazon's strategy is to break price competition in the high-growth segments it wishes to conquer, even if it means incurring losses, then to buy out the remaining competitors and impose its prices on the market as a whole. Customer satisfaction is therefore achieved by destroying the weakest, like Darwin's theory on species survival (Ekg, 2017).

In addition to strengthening its offer, the creation of Marketplace makes the offer more competitive. By putting vendors in competition and offering used items, Amazon strengthens its ability to always offer the lowest prices. If we take the example of a Samsung Galaxy A tablet, with the same search criteria, we find it at 199€ on Darty.com, at 149€ on Intermarché.fr, and on Amazon.fr the price displayed is 129€.

Such pricing policy results in an average basket up to 35% cheaper than that of its competitors in France, or even in United States, as seen in the previous example. This strategy is made possible by very low structural costs (unlike out-of-price leases paid by offline distributors) and by excellent supply chain management, which we will detail later. The entire logistics chain is optimized to the extreme to reduce costs as much as possible (Jourdan, 2017).

Amazon constantly seeks to get the most out of its size effect by seeking to always bring the best prices to consumers and to differentiate itself from its competitors by prices that are still unbeatable today. Amazon use very simple organization for storing products. Based on (Guilbert, 2015) guided tour shows us that products are not stored by theme but by size. The shelves are at men's height, unlike most warehouses where the shelves

are about fifteen meters high. The reason is simple: no machine intervenes, only men are in charge of this work. Each storage area is identified by a unique code. When it is free, the area in question is filled with a product to be stored. The stower scans the location code and the corresponding product code to save it directly to their database. To avoid errors when preparing orders, items that are too similar are not stored in adjacent areas (Guilbert, 2015).

The main advantage of this inventory management is that it is much more flexible than a traditional warehouse. Indeed, this makes it possible to have slightly less accurate sales forecasts. In addition, this storage system allows the free storage space to be used and filled quickly. Other warehouses see some of their storage space available for replenishment, resulting in a loss of efficiency (Logistique magazine, 2018).

Another advantage of this storage system is the time saving: the employee knows directly where the empty storage cells are and of course, thanks to the Amazon Standard Identification Number, where the product to be collected for the order is located as shown in the RMC documentary (rmc.bfmtv 2017). However, this system requires a continuous flow of goods to avoid a surplus of goods to store and therefore lack storage space. Thanks to this method, the error level has decreased by 1 item per 1000.

## 2.6 Order preparation

According to Malet (2013), as soon as the order is placed, it is processed within two hours. At the time of order preparation, the computer system provides the list of products for the order, with their Amazon Standard Identification Number and where they are stored. Moreover, to avoid wasting time, it calculates the shortest route in the warehouse to recover all the products to finalize the order. This management allows the person in charge of collecting the products or "picker" to avoid walking too much per day (he walks on average 15km, which is not negligible). Each tour includes several orders. At the time of picking, the employee scans the product to keep the database up to date (identify new empty storage and more stocked items). He puts in a cart all the products recovered on his way. It is from the picking that the delivery time is announced. After picking, the products are scanned again to group them by order. Packing by packers is also manual. Once all the products of an order are grouped, they are scanned again and put in cardboard (Malet, 2013, 6).

In the end, items will be scanned 5 times to perform checks and limit errors before shipping.

## 2.7 Transport and distribution

Once the order is prepared, it is shipped to the customer.

For Amazon's US transportation business, the online retail giant uses logistics service providers such as Fedex or UPS to deliver the order to the customer with the promise of extremely fast delivery. Outsourcing transport activities allows the merchant site to focus on its core business. Today in 2018, Amazon is increasingly trying to integrate this activity into its value chain (Stevens, 2018).

In the United States, for example, the merchant has its own fleet of trucks, which enables it to control its logistics chain from supply to delivery of the product to the customer. The integration of transport activities makes it easier for Amazon to implement its "same-day delivery" strategy. Amazon is trying to attract customers who are too busy to wait for their product to be delivered the day after the order is placed, or even the day after. For that the merchant proposes a delivery the same day of the placing of order. To do this, Amazon multiplies the warehouses close to the city centers which makes it possible to reduce order processing times, the faster the order is prepared the faster it will be ready to be delivered (Pumphrey, 2018). Again, to keep its promise of delivery the same day, the merchant site even set up, still in the USA, a two-wheeled delivery service (Pumphrey, 2018). Finally, Amazon is on the project to deliver its customers in less than 30 minutes through a drone. This project is called Amazon Prime Air. The online sales giant then promises to deliver in less than 30 minutes, directly from the warehouse to the customer, within a radius of around 12km from the departure warehouse. This new means of transportation would allow Amazon to further internalize transportation activity into its value chain (Johnson, 2017). Moreover, according to the CEO, this new mode of transport would be less expensive than with transport trucks. This Prime Air project is so popular that the distribution giant's competitors have announced that they want to adopt such a project, this is particularly the case with FedEx (Meek, 2016).

In terms of distribution of Amazon products, we note a number of distribution channels.

First of all, the first distribution channel remains the Amazon website itself. With an intuitive and easy to use interface, it is the preferred distribution channel for Internet users. The website is accessible from several terminals: a computer, a tablet or a mobile phone.

Then, the Kindle, Amazon's digital reader, became the number one distribution channel for users of this device. Indeed, shopping on the Kindle Store directly from the reader proves to be a very convenient way to find them and buy eBooks, newspapers and magazines (Tranvan, 2014).

Amazon seeks to reach small and medium-sized businesses, which is why the merchant has launched a site dedicated to selling goods for businesses: Amazon Business. Through its website dedicated to companies, Amazon offers more than 100 million references of scientific, industrial and other products (BBC, 2017).

## 2.8 Information systems

Amazon is a data and information systems driven company that integrates its development strategy. Thanks to its information systems, Amazon has built an impressive database containing information related to customers' interests. In this way, the site is able to assess user needs before offering products while browsing. These proposals having for result to influence the decision of purchase of the Net surfers (Marr, 2018). In addition, Amazon seeks to reduce tool time in favor of goal time. The latter provides a better possibility of conversion than the former, which is why Amazon seeks to better know its customers in order to offer them the products best suited to their needs, this being difficult to achieve without the help of efficient information systems (Bourrelly, 2010). In particular, they provide a useful database for analysing purchasing behaviour, something that few of its competitors have. This information available to Amazon's information systems allows Amazon to constantly study the most purchased references, the least profitable geographical areas, the defects of its logistics system, the ergonomic problems of its site, etc. This system allows Amazon an impressive reactivity.

Once the product has been ordered by the customer, the information systems take over. They first identify the place where the ordered product is stored. The stower then receives the order preparation order, prepares it and makes it available to the carrier. At each of the stages through which the product passes, the information systems are



involved (Business wire, 2014). Indeed, given the multitude of references managed by Amazon as well as the large number of warehouses, it is essential to establish a database listing each product reference, its characteristics, the quantity managed in stock, the warehouse in which it is stored and finally the exact location of the reference in the warehouse. In this way, it is easy to follow the computer inventory of references managed in stock. Amazon is then able to determine the required replenishment quantities based on the computer inventory, and the customer is directly notified in the event of a product failure (rmc.bfmtv, 2017). References are managed using a bar code identification system. This allows the storer to easily and quickly find the product to prepare for shipment. This system of identifying orders by barcodes implies a rigorous use of information systems. Indeed, each product referenced in the database is scanned at each step of the order preparation, from the storage of products received to the picking. This technology allows not only to know the activity in real time, but also a perfect traceability of the product (Sellercentral.amazon, 2018).

## 2.9 Innovation and logistic creativity

The Cloud is Amazon's ultimate logistics base and, although it is primarily an offer for professionals, today it extends to individuals. Amazon is constantly seeking to control its entire value chain. When it absolutely needs a link in its value chain for its strategy and no other player in its ecosystem offers it, Amazon fills the void itself. This led the merchant to the cloud. Not finding an IT infrastructure equal to its ambitions, it then developed its own distributed information system and deployed its data centers around the world (Aws.amazon, 2018). Its information system works so well that the Internet sales giant now hosts Netflix, Airbnb and the famous American forum Reddit. Amazon's cloud, known as Amazon Web Services (or AWS), has now become the most powerful in the world. By renting virtual storage space that it does not use, Amazon makes its information system profitable (Hern, 2017).

## 2.10 Amazon.com

Amazon retains control of its accounts receivable and those, even with its third party vendors. The website is constantly looking to innovate, in particular it has developed a powerful Customer Relationship Management tool, which allows it to build a large

customer database (Expert CRM Software, 2018). Moreover, while Amazon is constantly being copied by its competitors, the latter counterattacks in order to always attract new customers to its website. This is why the merchant site is constantly acquiring technologies to stay one step ahead of its competitors, such as the project to acquire Ring (Bfmbusiness.bfmtv, 2018) and Blink (Les numériques, 2018), both are companies specialising in doorbells and video surveillance for private individuals, and that project enables the group to continue its investments in connected objects (McGrath and Hastings, 2018). This allows Amazon to increase its product and service offering. As a result of this expansion of product lines, Amazon faces new competitors, which is why the Internet sales giant must attract customers to its site, a necessary condition for Amazon's potential profitability.

## 2.11 A low margin

Amazon has few intermediaries and is able to offer products at low prices because it benefits from reduced costs. Amazon therefore receives a larger share of profit on sales of digital goods. However, the giant's net margin is still low compared to its competitors. Thus in 2017 this margin amounts to 2.61% against 19.5% for Alibaba (Zone bourse, 2018). In addition, on-demand printing of preparation and delivery notes as well as online storage allows Amazon to obtain negligible inventory costs. Again, the merchant site bypasses distributors, and more and more publishers, in order to reach authors directly, which once again allows it to lower costs and thus increase its margin.

Finally, Amazon offers certain products free of charge, such as delivery for certain products or online data storage through its Cloud service. These free services certainly make it possible to attract the customers but serve him in terms of margin (Amazon, 2018). Throughout the following section, we will see what motivates Amazon customers to buy on the website and, most importantly, to repeat their purchase.

## 2.12 Customer-oriented service

What makes Amazon successful is above all its customer focus. This customer orientation is so strong that word of mouth is one of the main growth drivers. Amazon has thus created a relationship of trust and loyalty with its customers, who are at the heart of its development strategy. The bottom-up approach of the merchant site means

that every decision is dictated by the needs of customers, this is called frugality, which is a source of innovation (Barrett, 2016). Indeed, the site tries at all costs to optimize costs in order to offer its customers the lowest possible prices, sometimes selling its products at a loss. This involves not only the constant search for ways to lower costs but also the search for innovations to increase selection and simplify purchasing for the customer (Kaplan, 2013).

This customer focus has earned Amazon the title of best customer service for several years according to a study conducted by Business Week (Amazon, 2018). This title is notably due to Amazon's customer service. The site makes it a point of honour to respond to its customers' problems, which is why Amazon has set up an interface allowing customers to have human contact with the site's employees. The majority of the Amazon service is managed by e-mail and due to the importance of information requests through this means, the site has developed its own e-mail management software to be able to respond effectively and inexpensively to customer requests (Quora, 2015).

### 2.13 An offer adapted to customers

Amazon is the king of product recommendation. When the customer connects to Amazon.fr, the website studies the research of the customer by analyzing the links on which he goes (Pegoro, 2016). The website will then coincide these searches with those of other customers to finally suggest to customers for new purchases. It is by means of plugins or history of navigation that the site manages to propose purchases which correspond to what the customer really seeks. Thus, the customer's attention is drawn to another product, which is more likely to be purchased by the latter if it has been recommended (York, 2003, 76).

Alerts on product familiar to the customer interest are likely sent via e-mail to Amazon's customers. These emails contain information about products that the customer to look at on the merchant site. So, if the customer has looked at computers on the website, then Amazon will send him a list of watches that might eventually interest him (York, 2003, 77). If a customer is interested in a particular product and wants to know more about it, Amazon will offer to buy it in an already prepared product pack. So, if the customer is looking to buy a phone, the site will offer to buy the protective case and accessories that go with it. Often the offer is presented as part of a promotional offer,

which is rarely the case. Customers who think they are making a good deal will have more to buy the pack rather than only the product.

#### 2.14 Advice on buying

In case the customer who is looking for a product on Amazon and finally renounces the purchase, Amazon will never stop sending it back by e-mail so that he can finally finalize his purchase (Bulle, 2017). In addition the website has set up a customer feedback service which facilitates the customer choice, we'll discuss about it later.

#### 2.15 Customized offers

One of the most interesting things about Amazon's ability to retain its customers is personalized marketing. Once the customer has made the purchase, Amazon offers products that match their focus of interest. Thus, the customer feels privileged by receiving offers that are adapted to him. Similarly, by adapting the content of its offers to its customers, Amazon allows it to discover new products while providing a unique experience (Rohini, 2015).

#### 2.16 Making online shopping easier

##### 2.16.1 Product selection

Amazon makes product selection easy for our customers. So the site has set up the customer feedback service. This service is a source of trust between the customer and Amazon, customers publish comments about their purchases. These are easily identifiable, the merchant site allows us to see their nickname, if the customer actually purchased the product for which he publishes the comment. Moreover, Amazon not only publishes positive comments about the products it markets, it also leaves negative comments apparent. In this way, the customer does not feel deceived and can have an objective view of consumer opinions on the product he is interested in (Amazon, 2018).

### 2.16.2 The ordering process

Amazon has implemented a detailed step-by-step ordering process allowing the customer easy and pleasant navigation. Thus, the customer can navigate at will on the Internet site, he will be able to pass from a "shop" to another without worries and in a simple way (Amazon, 2018). If a product interests him, he will be able to save it in his basket while having the assurance to be able to modify it or empty it with his own way.

The ordering process of the site is funnel-shaped. Thus, everything is done not to rush the customer by presenting him a shopping cart as soon as he connects. On the other hand, at each stage of his navigation on the site, the customer risks to abandon his searches, this is why the shopping cart is always visible, and is easily modifiable, the customer can also save the contents for a later search. Thus, the customer does not feel obliged to buy but is strongly invited.

Second, Amazon seeks to optimize the search conversion rate of its potential customers. As a result, the merchant site constantly monitors each of the navigation steps in order to improve this conversion rate (Markman, 2017). Finally, the site has set up the "one-click purchase" service, a patented service until September 2017. This service allows Amazon to circumvent the notion of shopping cart by offering a single step to purchase. This technique resulted in an increase in the conversion rate (Arsenault, 2018).

## 2.17 Marketing Mix

### 2.17.1 Product strategy

Since 1995, Amazon has gone from a product category based solely on books to 33 varied categories (Sellercentral.amazon, 2018). In 2015, on the French market there were nearly 150 million references (Bonfillon, 2015). By way of comparison, the average number of references for a French hypermarket is 100,000 (Actus drive 2014).

For example, when a traditional dispenser offers a few hundred models, Amazon offers 200,000, which speaks volumes about the width and depth of its product range (Amazon, 2018).

In addition to these many product categories, Amazon is present in several Strategic Business Areas with different targets:

Electronic retailing (for Business to Business) : Amazon's core business, selling physical and virtual products online

Electronic Market (for Customer to Customer and Business to Business): Third party sales management activity (Market Place, Advantage Program and Associate Program)

Electronic Services: Logistics management and/or third party sites (Amazon Web Services: cloud computing, software development, etc.)

Electronic Finance (Business to Business and Business to Customer): Amazon has its own electronic money service (Amazon Flexible Payments Service)

Entertainment: By combining Netflix and Deezer, Amazon launches Prime Video and Prime Music to offer movies and music to its Prime customers.

This integration, both horizontal (expansion of the product catalog) but also vertical by the complete mastery (excluding transport) of all layers of the E-commerce system, allow Amazon a reference to the GAFA (Google, Amazon, Facebook, Apple) (Colombain, 2017).

## 2.17.2 Communication Strategy External communication

### 2.17.2.1.1 Advertising

The company only communicates when it is really necessary. As a result, the budget devoted to advertising communication is extremely limited, in 2010 for example Amazon spent 5.58 million dollars on Google ads (Clubic 2018). this is due in particular to the fact that the online sales giant enjoys such a powerful notoriety that it does not need to invest either to make itself known or to make its products known. In addition, by allowing customers to publish their opinions and impressions about products offered by the merchant, Amazon lets its users advertise themselves.

Again, Amazon enjoys a very good image with its users, who do not hesitate to relay this good image to their loved ones or on the web (Igraal 2018).

#### 2.17.2.1.2 Integrated communication channels

- Amazon.com

Amazon's first and by far the most powerful communication channel is still its website. This is the brand's preferred channel for communicating with its customers. Thanks to its website, Amazon communicates and highlights news and special offers (Amazon 2018).

- E-mailing

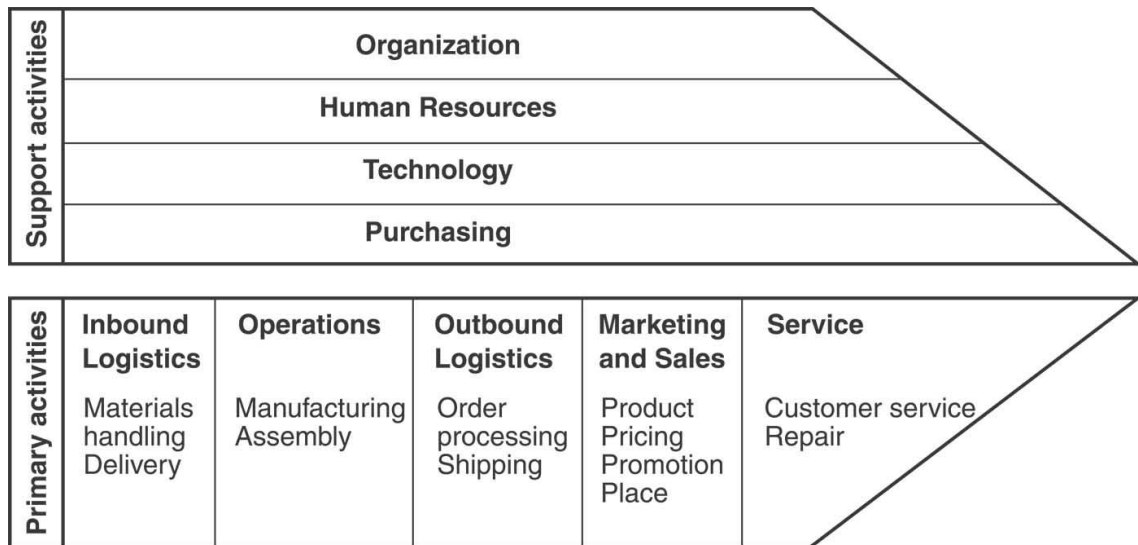
E-mailing is one of Amazon's communication channels. Indeed, once its customers have placed an order, Amazon has their e-mail address and can then offer them products based on current offers or by making recommendations following the latter purchases as we have seen above (Daly, 2014).

#### 2.17.3 Supply Chain Organization

Amazon is a company known for its very short delivery time. Its logistics even enable it to develop "same-day delivery" in urban areas. The organisation of its activities is its own, from the way goods are sorted and stored to the preparation of orders and their dispatch. In his work "En amazonie, infiltré dans le meilleur des mondes", Mr. Malet associates Amazon's logistics chain with fordism, where each task is individualized by avoiding any intervention of machines (Malet, 2013, 51).

#### 2.18 Value Chain

The value chain is a management tool implemented by Porter. This tool allows an internal analysis of a company, in this case Amazon, through the study of its main value generating activities. Michael Porter's value chain divides the activities into two main categories: the primary activities and the support activities that we see below:



**Figure 1:** Porter's value chain (Mindtools, 2018)

Support activities support the main activity and form the company's infrastructure: firm infrastructure, Human resource management, technology development and procurement. The primary activities, here are those directly involved in the material creation and sale of the product: Inbound logistics, operations, outbound logistics, marketing and sales, and services. We can fill this model with some points that we will see below.

#### 2.18.1 Support activities

**Firm Infrastructure:** Amazon is one of the largest electronics retailers in the United States, It provides services to customers, sellers and developers thanks to its retail websites.

**Human Resource Management:** Amazon owned about 341.400 employees full-time and part-time, which was 10 times higher than that of the year 2010 just have 33,700 employees. We can clearly notice the level of development over the past 8 years.

**Technology:** Amazon is developing its technological innovation to differentiate itself on the online customer experience. Innovations such as custom recommendations or one-click ordering are innovations from Amazon.

**Procurement:** Amazon.com restocks its distribution center inventory thanks to a variety of suppliers. Suppliers for their product segment are able to provide 33 varied categories of products, only for the store.



### 2.18.2 Primary activities

**Inbound Logistics:** Amazon does not have long-term contracts with its seller to guarantee the availability of products, or about the payments terms. Sellers can directly stock their products in Amazon fulfilment centres and in this case, Amazon manages on its own all the logistic, customer service, and product returns. If a customer orders a Fulfilled by Amazon item and an Amazon owned-inventory item, the company ships all items to the customer in the same box, which is more effective. The use of Fulfilled by Amazon is an optional choice for sellers and this choice makes the products of third-party sellers eligible for Amazon Prime free two-day shipping, free shipping and other benefits (Schreiber, 2016).

**Operations:** Amazon has organized its operations into two parts including North America and Overseas.

In North America, Amazon is focused on USA, Canada and Mexico. For overseas, its operations are focused on different countries that are France, Germany, Italy, United-Kingdom, China, Japan, Spain, India, Brazil, Australia, Netherlands, Turkey and the last one since 2015 in Singapore.

Moreover, Amazon offers Amazon Web Services as seen before, this segment deals with global sales of computing, storage, database, and other useful services for start-ups, enterprises, government agencies, and scholarly organizations.

**Outbound Logistics:** Amazon manages 109 fulfilment centres worldwide and the organizations start using mechanical innovations such as robots to manage receipt, storing, picking, and shipment of items. Generally, this company uses the services of night delivery companies such as UPS, FedEx and TNT in the United States. As we have seen, Amazon has its own fleet of trucks, which enables it to control its logistics and has also announced Amazon Prime Air. The desire of the to do financial investments can be viewed as an apparent move of the organization to be independent from the third parties, such as delivery companies, by making its logistics easier.

**Marketing and Sales:** Amazon's marketing message is to offer the widest selection of products and services, low prices, fast delivery, and the best customer service's quality as possible. Amazon conducts customers to websites through some online marketing channels, we can find their Associates program, sponsored search, advertisements, e-mailing campaigns, etc.

**Service:** Amazon set out to offer clients something they just couldn't get some other way,

and started selling books. Amazon brought them much more selection than was possible in a physical store and presented it in a useful, easy to- search, and easy-to-browse format in a store open all day in the year. Nowadays, Amazon can provide customers gift certificates, 1-Click shopping, and vastly more reviews, content, browsing options, and recommendation features.

## 2.19 Competition

The E-commerce sector is worth 1800 billion dollars in 2017 (Bouaziz, 2017). In France, Amazon has remained the leader in E-commerce for several years. At the end of 2016, the Fevad counted 204,000 active merchant sites in France, i.e. 22,000 more than at the end of 2015 (+12%). In ten years, their number has multiplied by four (Villemin, 2017). The E-commerce sector in France includes many sectors, so we will present Amazon's main competitors who sell similar goods:

- Cnova : A subsidiary of the Casino group, it is without doubt Amazon's most serious competitor. The site has more than 15 812 000 unique visitors per month (Ebrard, 2017). This merchant thus proposes a product offer of more than 100 000 references distributed around forty universes (Groupe casino, 2018). The company exceeds two billion euros in turnover in 2017 (Fauconnier, 2018).
- Vente Privee: This brand destocking site offers a totally original concept by combining the event and exclusivity. It has 11,775,000 unique visitors per month and every day the website sells products on a "first come, first served" basis (Ebrard, 2017). This merchant exceeds a turnover of 3.26 billion dollars in 2017 (Sari, 2017).
- Ebay : The auction site has become a world reference in its category. Today the site is a real social phenomenon that everyone knows. This site receives an average of 10,420,000 unique visitors each month (Ebrard, 2017). Thanks to an ever-increasing number of salesmen, the site is a real success and announces a turnover of 9.3 billion dollars in 2017 (Tradingsat, 2017).

## 3 RESEARCH METHODS

### 3.1 Mix method

Quantitative research is done by classifying characteristics and constructing statistical models to explain what is observed and qualitative research provides a complete and detailed description of the research topic. The objective of this work was to identify Amazon customers' user experience, satisfaction, and Amazon's strategies for keeping potential customers loyal. We opted for a quantitative survey using questionnaires, as this was the most appropriate technique to quantitatively evaluate the experiences of the population about the giant electronic-business store. In addition, we also did a qualitative research with 4 people, this will allow us to get more details on the respondents' overall choices about quantitative research.

### 3.2 Development of the questionnaire

The questionnaire was designed to identify what Amazon's customers think about this merchant and how they are reached and retained. Once the final questionnaire was developed, I conducted a test on my entourage to get suggestions for improvements or relevance about the questions. The questionnaire consisted of a total of 22 questions. For the quantitative part I opted for a majority of closed-ended questions in order to allow rapid response and data processing. For the qualitative part, I asked them the same questions as for the quantitative research but by asking them to answer with details on their answers

### 3.3 Sample Technics

Simple random sampling is a type of probability sampling where observations are selected randomly. Typically, we start with a list of N observations of the total population from which we want to draw a sample, this technique is based on the principle that all elements of the population have an equal probability of being part of the sample.

### 3.4 Study Population

The population studied was generally based in Europe and the American continent. The questionnaire was open to everyone, of all ages to purchase online and for both individuals and professionals. The only exclusion criteria are those who do not understand the language of the questionnaire, or those who do not want to answer. We get finally 160 fully completed questionnaires, which was, in my opinion, enough to get as close as possible to an objective result for the quantitative research, and 4 people for the qualitative research.

### 3.5 Conduct of the questionnaire

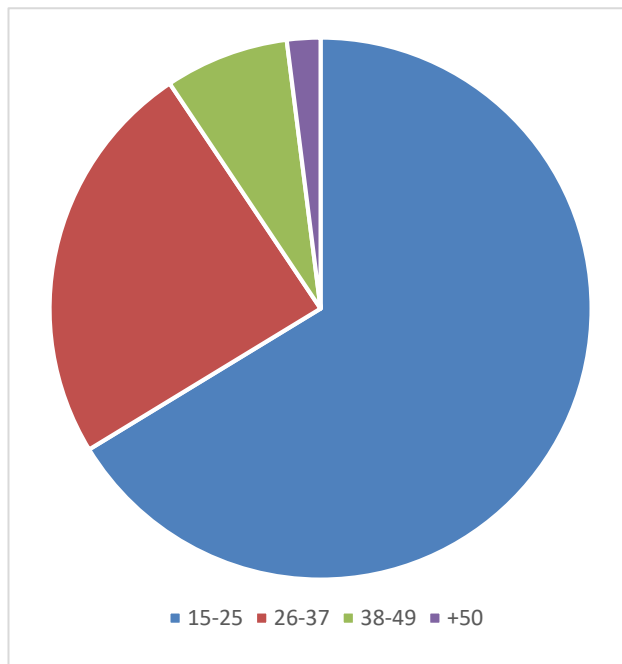
The questionnaires were submitted as Google Forms on various social networks such as Facebook, Twitter and various forums. Then, for the qualitative part, I asked 4 people of my entourage by conducting some interviews by phone.

### 3.6 Reliability and validity of results

The validity is the fact to know if the questions capture the different aspects of the phenomenon under study. In this case, all the questions asked have been answered, any question has been ignored. In addition, the answers were personal, which validates everyone's experiences with Amazon. Reliability corresponds to the degree to which the instruments used consistently measure the study. People had the choice to answer the questionnaire. They therefore undertook to respond seriously.

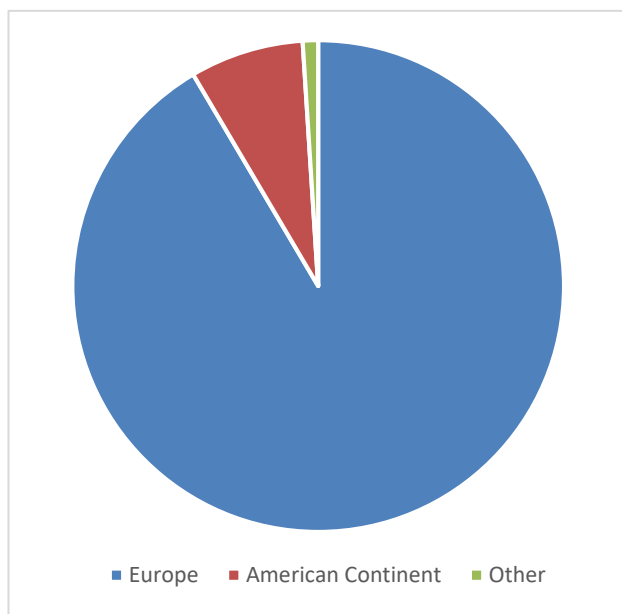
## 4 ANALYSIS AND FINDINGS

Chart 1: Age distribution of the studied sample: How old are you?



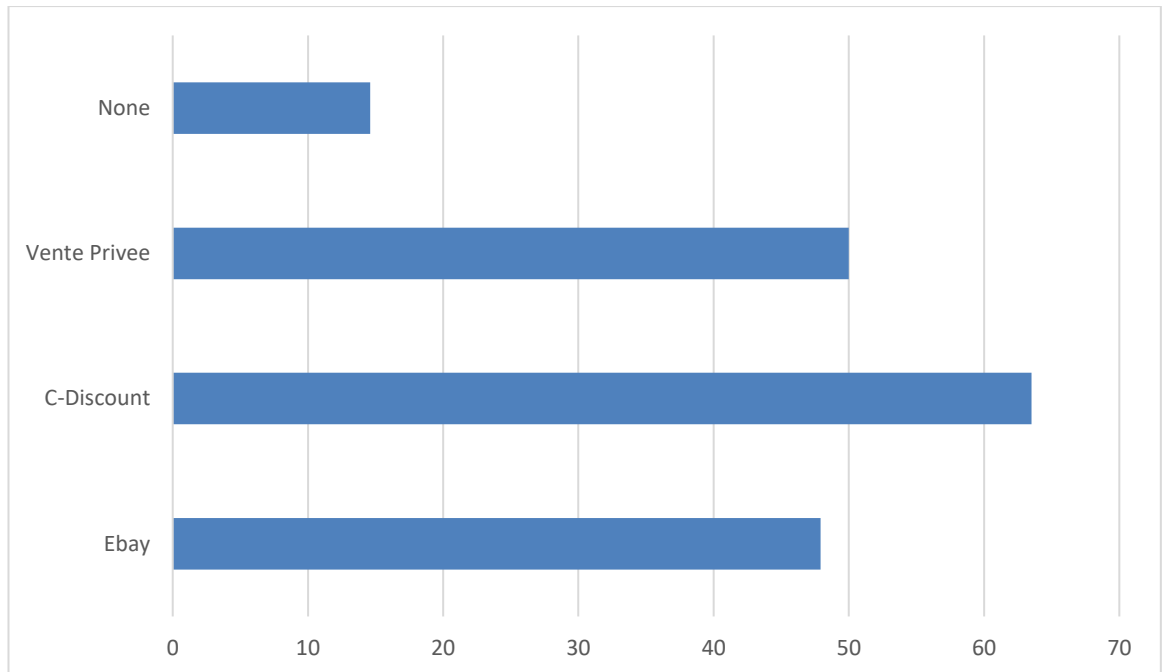
There is a dominance of responses between the ages of 15 and 37.

Chart 2: Geographical distribution: Where do you live?



In my study, there was 90,5% of people from Europe, 7,4% from American Continent and 1% from another region.

**Chart 3: The different sites on which the sample have ever ordered:** On which websites have you ever ordered? (Result in percentage)



According to my research, 85,4% have ever ordered on one of the biggest E-commerce websites in Europe that are Vente-Privee, C-Discout, and eBay.

**Table 4: The fidelity of the sample to buy on the internet:** Do you still buy products on these websites?

Yes	No
60,4%	39,6%

Answers show that 60.4% of customers from previous websites are loyal, especially loyal to buying on E-commerce websites.

**Table 5: Amazon's popularity:** Have you ever ordered on Amazon?

Yes	No
93,8%	6,2%

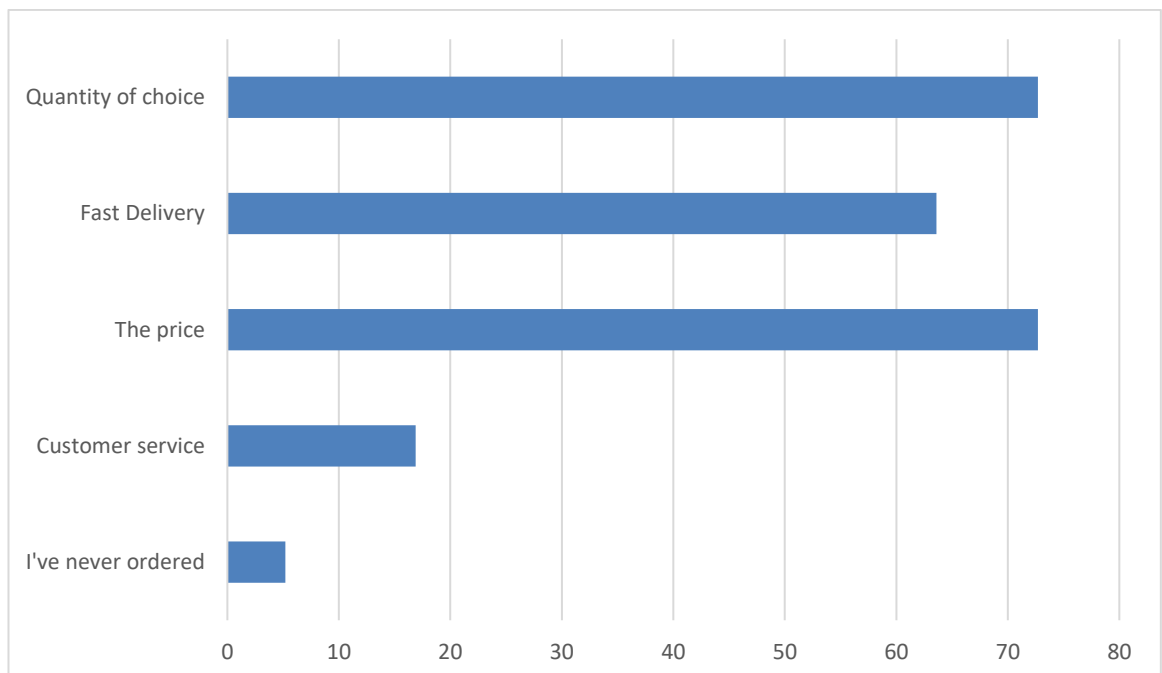
93.8% of respondents to this questionnaire have already ordered from Amazon compared to 6.3%. In addition with the question “On which websites have you ever ordered?”, this rate of 93,8% shows that people who ever bought on the biggest European retailer, Amazon competitors, have ever bought on Amazon as well. Then It shows that there are more people who have bought on Amazon than on the 3 websites combined.

**Table 6:** If so, do you frequently return on Amazon in case you need a product?

Yes	No
77,1%	22,9%

This result shows that 77,1% of Amazon customers go back to this merchant in case they need a product. It shows the loyalty generated by customers. In order to explain these raisons, we asked them why they order on Amazon.

**Table 7:** Why do you order on Amazon? (Result in percentage)



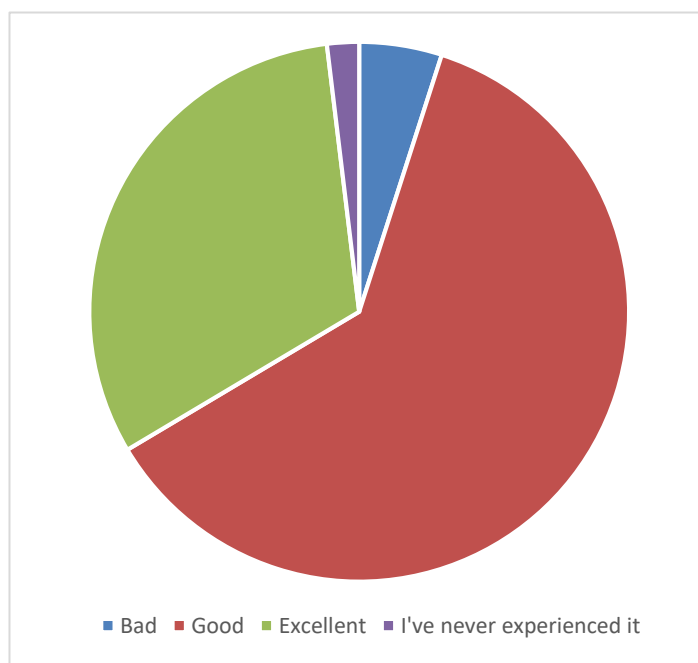
Here we can see that the customer choices to be purchased at Amazon represent 72.7% for the quantity of choices available on the merchant website and for the price, 63.6% for fast delivery, and 16.9% for customer service. We find that the quantity of choice, fast delivery and price of products are at a percentage very close to each other.

These criteria are the fundamental principles that Amazon decided to respect with its customers.

As we've seen above, the choice of price is explained because the merchant tries at all costs to optimize costs in order to offer its customers the lowest possible prices, sometimes selling its products at a loss. About the quantity of product, since 1995, Amazon has gone from a product category based solely on books to 33 varied categories by offering more than 150 million references. For delivery, Amazon uses logistics service providers such as Collissimo to deliver the order to the customer with the promise of extremely fast delivery. It offers delivery within 1 business day which obviously pleases to a lot of customers. The quantity of choice, price and fast delivery are at a percentage very close to each other. These criteria are the fundamental principles that Amazon decided to respect with its customers.

Moreover, if we focus on the customer service, we can see that 16,9% of respondents are satisfied by the service. And when we ask them rate the customer service, we get the following chart:

Figure 7: Customer service: How would you rate customer service?



This pie chart shows that the website makes a point of honour to respond to its customers' problems as we've seen on the previous literature review.



Table 7: Out-of-stock products: Have you ever experienced out-of-stock products?

Yes	No
41,7%	58,3%

There is almost an equal rate about out-of-stock condition that customers have experienced. However, the majority of responses representing 58.3% show that customers did not have to deal with a stockout at Amazon. One of Amazon's main objectives is speed. To enable orders to be sent quickly, the company permanently manages millions of references. It has an enormous stock, and therefore a very large quantity of capital assets.

Table 8: Back in stock: Did you notice if the product was back in stock quickly?

Yes	No	I've never experienced out-of-stock products
26%	19,8%	54,2%

26% of customers noticed that the product they were looking for was out of stock and available again quickly on Amazon. To meet its goal of having as many products as possible in stock, several dozen trucks come every morning to deliver thousands of products to the warehouses. Here the 54.2% of responses reporting that the consumer has never experienced a stockout confirms the result of the previous table by showing that the stockout is not so frequent on the merchant's website.

Table 9: Newsletters: Do you receive newsletters from Amazon?

Yes	No
35,4%	64,6%

Table 10: Do these e-mails present products likely to interest you?

Yes	No	I don't receive any e-mail from Amazon

61,5%	23,9%	14,6%
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Amazon sends e-mail to its customers to alerts them likely to interest them. These emails contain information about products that the customer to look at on the merchant site. So, if the customer has looked at computers on the website, then Amazon will send him a list of watches that might eventually interest him. In case the customer who is looking for a product on Amazon and finally renounces the purchase, Amazon will never stop sending it back by e-mail so that he can finally finalize his purchase.

## 5 CONCLUSIONS

To remember, the objective of this thesis was to know how Amazon has become what it is today, how it manages customer satisfaction and how it maintains itself in the marketplace in the face of competition.

The first research question was to determine the reasons that explain consumers favour this merchant over its competitors in online shopping. On Amazon, price are mostly lower than on another website or physical store, and the 1 day delivery are huge assets that push customers to try Amazon, and eventually, become regular customers.

Based on the first question, the second research question was to find the factors that make Amazon different than its competitors. Amazon's mission is to showcase technology and employee expertise to deliver the best customer experience on the web and to get the most complete product catalogue. Its customer-centric strategy seems to have been the winning solution for the web merchant, which, as we noted in this study, is now one of the most influential companies. Its strategic focus on customer satisfaction has led the merchant to continually seek to improve the consumer experience to make to as personal as possible for its customers. To do this, Amazon continually tries to maintain good relationships with its customers. Amazon is constantly looking to know its customers, which is why everything is implemented to maintain a database, which still today, continues to gain more value. On the other hand, Amazon has developed a wide range of partners, or vendors, on its merchant website. This virtual collaboration has enabled Amazon to offer more than 200 million products' references to its customers without incurring storage or production costs, thereby increasing its operating margins.

Finally, to get their customer back back, Amazon uses systems such as recommendations and E-mailing to get their customers back. The community set up by Amazon is undoubtedly one of its most important strategic assets. Indeed, newcomers could try to imitate its strategies, but none could take away its community which is strongly loyal. However, the merchant must imperatively adapt to technological changes, or even anticipate them, to always stay one step ahead of its competitors. In addition, Amazon's referral system is a key success factor, first because its customers will continually discover new products that might appeal to them, and because this expertise allows it to demonstrate even more commitment to its customers.

For future research, I suggest the author to take an in-depth look at everything involved behind Amazon it such as the working conditions that the company hires to satisfy the customers' experience.

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